

potential competitors that they would not be harmed by such an upward adjustment, the Commission concludes that any UNE or interconnection established under an interim rate shall be capped under such rate. Any such arrangements may only be adjusted downward. Of course, any downward adjustment will be retroactive to the date the interconnection was established or the UNE was placed in service. The Commission concludes that this procedure will actually encourage early entry into the local market because potential competitors will want to take the largest possible advantage of the capped interim rates.

**E. Service Quality Issues are Appropriately Addressed as Enforcement Issues and Not as Part of BST's Compliance With the Checklist.**

Sprint's witness Melissa Closz and ACSI witness Jim Falvey complained about service problems allegedly encountered by these CLECs companies in other states. It is worth noting that there is no evidence in this record of any service problems in South Carolina. The Commission further observes that complaints do not rise to the level of proof. ACSI has filed a formal complaint with the FCC and Georgia Public Service Commission and no ruling has been issued in those proceedings. Ms. Closz conceded that Sprint has not even filed a complaint or otherwise sought legal redress for the alleged problems she noted in her testimony.

Even if there were actual proof in this record of inferior service by BST, this proof would be irrelevant to BST's compliance with its duty under Sections 251, 252(d) and the competitive

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real incentives for the major IXCs to enter the local market rapidly in South Carolina, because they will no longer be able to pursue other opportunities secure in the knowledge that BSLD cannot invade their market until they build substantial local facilities. Since the intervenors have not established any plan to compete for both residence and business customers in South Carolina, we conclude that this decision is the last avenue open to this Commission to encourage local competition as well as long distance competition. Thus, this decision will also foster real investment by AT&T, MCI, and others in the local market in South Carolina. Allowing BSLD to provide long distance service to South Carolina consumers is in the public interest since it would accomplish Congress's objective of fostering competition in all telecommunications markets.

The Commission must address one procedural matter regarding evidence offered at the hearing. At the conclusion of its case, BellSouth moved to introduce 87 binders of information regarding BellSouth's compliance with the 14-point competitive checklist of the Act, as part of Hearing Exhibit 12. Counsel for AT&T, MCI and Sprint opposed the introduction of the binders, arguing that BellSouth had not submitted the information in support of its application or relied on the information during its case. BellSouth countered that the information had been supplied during the course of discovery in this Docket and was intended to complete the present record. The Commission finds that introduction of the

87 binders would not be appropriate. As the applicant for in-region long-distance service, BellSouth bears the burden under the Act of presenting all relevant evidence to allow the Commission and opposing parties to evaluate its application. BellSouth did not include the material as part of its application to the Commission, and did not use the binders to support the testimony of its witnesses. Accordingly, the Commission declines to accept the 87 binders into evidence.

IT IS THEREFORE ORDERED THAT:

1. BST's Statement of Generally Available Terms and Conditions filed herein shall be modified to incorporate the following language: "The Statement shall be subject to revision to the extent necessary to comply with any final legislative, regulatory or judicial orders or rules that affect the rights and obligations created by the Statement."

2. BellSouth's Statement of Generally Available Terms and Conditions filed herein shall be modified to provide that any local interconnection established or UNE placed in service prior to the rate true-up shall be capped at the interim rate. The rate of each such interconnection arrangement or UNE may only be adjusted downward as a result of the true-up process. Any downward adjustment for an interconnection agreement or UNE in service prior to the true-up shall be adjusted retroactively to

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the date such UNE was placed in service or the date such interconnection agreement was established.

3. The Commission approves BST's Statement of Generally Available Terms and Conditions, as modified above, under Section 252(f) of the Act. BST shall file ten (10) copies of its modified SGAT with the Commission within seven (7) days of receipt of this Order.

4. BST's Statement satisfies the 14-point competitive checklist in 47 U.S.C. § 271(c)(2)(B).

5. The Commission finds that ~~BST's~~ BSLD's entry into the interLATA long distance market in South Carolina is in the public interest.

6. This Order shall remain in full force and effect until further other Order of the Commission.

BY ORDER OF THE COMMISSION:

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Executive Director

(SEAL)

**ATTACHMENT 5**

JAN 6 1997

RECEIVED

**DIRECT TESTIMONY OF**  
**WILLIAM J. CARROLL**  
**ON BEHALF OF AT&T COMMUNICATIONS**  
**OF THE SOUTHERN STATES, INC.**  
**BEFORE THE**  
**SOUTH CAROLINA PUBLIC SERVICE COMMISSION**

**Case No. 96-358**

**Filed: January 6, 1997**

**Q. PLEASE IDENTIFY YOURSELF.**

**A. My name is William J. (Jim) Carroll and my business address is 1200 Peachtree Street, N.E., Atlanta, Georgia, 30309.**

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND EXPERIENCE.**

**A. From 1967 to 1971, I attended Georgia State University and received a Bachelor of Science degree. I also attended the Massachusetts Institute of Technology in 1985 as part of the Sloan Fellows Program.**

**I started my work career in June, 1962 in Macon, Georgia as a communications technician in the Long Lines Division of AT&T. Since that time I have held positions with AT&T including positions in the following functional areas: operations; engineering; human resources; labor relations; and marketing. I was present during the evolution of the long distance telecommunications market from a pure monopoly to what is today an extremely competitive and active industry. Since divestiture of the long**

1 distance business from the telephone monopolies in 1982, I have held positions as Senior  
2 Vice President -- New York and Northeast where I was responsible for services and  
3 products, and Vice President -- Network Operations and Engineering where I held  
4 nation-wide responsibility for AT&T. From these positions I have observed and studied  
5 the behavior of customers in both a competitive and a monopoly telecommunications  
6 environment.

7  
8 **Q. PLEASE DESCRIBE YOUR CURRENT POSITION AND RESPONSIBILITIES**  
9 **AT AT&T.**

10 **A.** Currently I am Vice President -- Local Services for the South Central States. My  
11 responsibilities include developing and implementing local services for AT&T customers  
12 in nine southern states, including South Carolina. I provide the leadership for the AT&T  
13 product teams to accomplish this objective. In this regard, I initiated AT&T's request to  
14 BellSouth to negotiate an interconnection agreement under the Telecommunications Act  
15 of 1996 (the "Act"). I also provided, and continue to provide, leadership and direction to  
16 AT&T's negotiating teams.

17  
18 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE ANY COMMISSION OR**  
19 **OTHER REGULATORY COMMISSION?**

20 **A.** Yes. I provided testimony before the Florida Public Service Commission, the North  
21 Carolina Utilities Commission, the Georgia Public Service Commission, the Tennessee  
22 Regulatory Authority, the Louisiana Public Service Commission and the Kentucky  
23 Public Service Commission regarding AT&T's petitions for arbitration with BellSouth.

24  
25 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

1 A. The purpose of my testimony is to describe, from a business perspective, why AT&T is  
2 before this Commission. I will introduce the issues in dispute and the witnesses who will  
3 testify on AT&T's behalf as to these issues. I will explain that the Act expanded  
4 AT&T's prospects for entry into the local exchange market in South Carolina through  
5 negotiations with BellSouth, that those negotiations have only been partially successful,  
6 and that if AT&T is granted the opportunity found in AT&T's proposed interconnection  
7 agreement (the "Interconnection Agreement"), then AT&T will commit to provide South  
8 Carolina consumers with high quality services and technological innovations at  
9 competitive prices in competition with BellSouth's monopoly.

10

11 I also will summarize the actions AT&T requests the Commission to take and describe  
12 why each action is necessary from a business perspective to achieve the goal of the Act,  
13 which I understand to be "to promote competition and reduce regulation in order to  
14 secure lower prices and higher quality services for American telecommunications  
15 consumers and encourage the rapid deployment of new telecommunications  
16 technologies." S. Rep. No. 23, 104th Cong., 1st Sess., at 2 (1995).

17

18 I also will address in detail the need for parity in the provision of local exchange services  
19 to ensure that consumers receive the full benefits of competition that Congress intended  
20 through passage of the Act.

21

22 Q. AT&T FILED SEVERAL VOLUMES OF DOCUMENTS WITH ITS PETITION  
23 FOR ARBITRATION. PLEASE IDENTIFY THOSE DOCUMENTS.

24 A. The Act obligates AT&T to submit with its Petition for Arbitration ("Petition") all  
25 documents relevant to the issues to be arbitrated and documents relevant to any issues

1 that the parties have resolved. Both categories of documents are contained in the sixteen  
2 binders submitted to the Commission with the Petition. These binders were filed with  
3 AT&T's Petition and collectively are incorporated into my testimony as Exhibit JC-1.  
4 Each binder contains documents which are identified by a tab number and each page is  
5 Bates-stamped. During my testimony, I will refer occasionally to a document by its  
6 exhibit number, Exhibit JC-1, and its tab number.

7  
8 The documents in the binders include AT&T's record of all formal negotiation sessions  
9 with BellSouth, letters and memoranda exchanged between AT&T and BellSouth  
10 regarding various negotiations issues, proposed interconnection agreements, studies and  
11 other documents.

12  
13 **Q. HOW DID PASSAGE OF THE ACT ENCOURAGE AT&T'S PLANS FOR**  
14 **ENTRY INTO THE LOCAL EXCHANGE SERVICE MARKET IN SOUTH**  
15 **CAROLINA?**

16 **A.** In our region, AT&T established several types of negotiating teams -- we designated the  
17 primary negotiators as the "Core" Team. Supporting the Core Team were subject matter  
18 experts on technical and cost issues ("SME Teams"). The SME Teams met with  
19 BellSouth representatives to implement agreements reached by the Core Team and to  
20 negotiate specific operational and cost issues. Finally, we designed an Executive Team  
21 consisting of myself and several of my senior colleagues at AT&T to meet with  
22 BellSouth representatives as needed to attempt to resolve issues that could not be settled  
23 by the Core and SME Teams.

1 Next we developed a list of technical and other requirements for entry into the local  
2 exchange market. That list is contained in Exhibit JC-1, Tab 1.

3  
4 Finally, at my direction, on June 10, 1996, AT&T requested negotiations with BellSouth  
5 in South Carolina under 47 U.S.C. § 251(c)(1).  
6

7 **Q. WOULD YOU DESCRIBE THE HISTORY OF NEGOTIATIONS BETWEEN**  
8 **BELLSOUTH AND AT&T?**

9 **A.** AT&T and BellSouth met on numerous occasions after AT&T's request for negotiations  
10 on June 10, 1996, as well as prior occasions regarding negotiations in other states. The  
11 Core Team held meetings with BellSouth on numerous occasions; the SME Teams have  
12 additionally met with BellSouth on operational and cost issues; and AT&T's Executive  
13 Team has met face-to-face with BellSouth, and held numerous phone calls, voice mail  
14 messages and informal meetings. Many of the early "negotiations" consisted of AT&T  
15 explaining its requirements and BellSouth responding that it would take those under  
16 advisement. AT&T made numerous requests that BellSouth share information which  
17 AT&T believed would be helpful in reaching agreements (AT&T agreed to protect  
18 confidential information under a confidentiality agreement signed by both parties). After  
19 some time passed with little agreement or sharing of information, we decided to "jump-  
20 start" the negotiations by offering a proposal on resold services that committed AT&T to  
21 purchase a specific volume of services in return for agreement on a percentage discount  
22 off BellSouth's retail prices. That June 5, 1996 proposal is found at Exhibit JC-1, Tab  
23 331. AT&T has yet to receive any counter offer from BellSouth to this proposal.  
24

1 The parties did exchange proposed interconnection agreements in June, 1996.

2 BellSouth's proposed agreement of June 13, 1996 merely adopted an agreement reached  
3 earlier by BellSouth with Hart Communications and bore no relationship to the AT&T  
4 negotiations or AT&T's requirements. BellSouth's proposal and AT&T's response are  
5 at Exhibit JC-1, Tabs 208 and 252 respectively. AT&T made a price proposal on  
6 unbundled network elements and interconnection on June 21, 1996. That proposal is at  
7 Exhibit JC-1, Tab 333. AT&T's proposed Interconnection Agreement was provided to  
8 BellSouth on June 28, 1996. It contained comprehensive provisions reflecting the  
9 negotiations to date and additional provisions AT&T believed were consistent with the  
10 Act. AT&T's initial proposed Interconnection Agreement is at Exhibit JC-1, Tab 259.  
11 AT&T has prepared a version of the Interconnection Agreement, which is attached to the  
12 Petition, that reflects the parties' positions as of October 11, 1996.

13  
14 AT&T and BellSouth have reached agreement on multiple issues that AT&T put forward  
15 in its Petition. The parties continue to meet on a regular basis and conduct negotiations  
16 on the remaining issues. Issues presented in this arbitration remain unresolved.

17  
18 **Q. YOU PREVIOUSLY REFERRED TO BELLSOUTH'S JUNE 13, 1996**  
19 **PROPOSED INTERCONNECTION AGREEMENT WITH AT&T. HOW**  
20 **WOULD YOU DESCRIBE THAT PROPOSAL?**

21 **A.** My letter to BellSouth of June 26, 1996 at Exhibit JC-1, Tab 252 best describes my view  
22 of the proposal. Generally, the proposal was not responsive to AT&T's particular  
23 requirements. It appeared to be almost a word-for-word copy of BellSouth's agreement  
24 with Hart Communications. As such, it failed to reflect agreements which I understood

1 AT&T and BellSouth had reached and lacked provisions necessary for AT&T to enter  
2 the local market as a viable competitor to BellSouth.  
3

4 **Q. HOW WOULD YOU DESCRIBE AT&T'S PROPOSED INTERCONNECTION**  
5 **AGREEMENT TO BELLSOUTH OF JUNE 28, 1996?**

6 A. AT&T's proposed Interconnection Agreement was a comprehensive and detailed set of  
7 rates, terms and conditions to govern all aspects of AT&T's business relationship with  
8 BellSouth as it enters the South Carolina local exchange market -- the resale of local  
9 services, access to unbundled network elements, and interconnection. It represents the  
10 minimum requirements, both now and in the near term, to allow effective competition in  
11 the local exchange market. AT&T's proposed Interconnection Agreement includes items  
12 that AT&T understands were resolved or may be resolved through negotiations, as well  
13 as items representing compromises made by AT&T with the hope that the parties could  
14 move closer together on the outstanding issues.  
15

16 **Q. DO YOU KNOW IF ANY TELECOMMUNICATIONS CARRIERS HAVE**  
17 **ENTERED INTO AGREEMENTS WITH BELLSOUTH?**

18 A. . Yes. I am aware of several interconnection agreements that BellSouth has entered into  
19 with various telecommunications carriers. For instance, I am aware of the agreements  
20 BellSouth has with MCIMetro, Time Warner, Hart Communications Corporation, the  
21 Telephone Company of Central Florida, Intermedia Communications, TCG, and  
22 MediaOne. While there may be a few more, these are the ones with which I am most  
23 familiar.  
24

1 Q. WOULD YOU COMPARE THOSE AGREEMENTS WITH AT&T'S PROPOSED  
2 INTERCONNECTION AGREEMENT?

3 A. The agreements mentioned in my previous answer fall into two general categories. For  
4 large companies (e.g., MCI Metro, Time Warner), the agreements are incomplete. For  
5 example, BellSouth's agreement with MCI Metro pertains primarily to the  
6 interconnection of two networks, and what is required to permit traffic from one carrier  
7 to terminate calls to another carrier. The Time Warner agreement addresses these same  
8 subjects, but also includes resale and unbundling of network elements. However, it  
9 omits any prices for resold services or unbundled network elements -- critical ingredients  
10 for entry into the local telecommunications market.

11  
12 For smaller companies (e.g., Hart Communications, Intermedia Communications), the  
13 agreements are more comprehensive, but reflect those carriers' intentions to provide  
14 niche services and not broad-based competitive offerings. For that reason the companies  
15 have agreed to what BellSouth traditionally has offered in the regulated environment,  
16 and the agreements generally do not reflect movement by BellSouth from its entrenched  
17 monopoly positions.

18  
19 By contrast, AT&T's Interconnection Agreement contains details on operational and  
20 pricing aspects of interconnection, resale and unbundled network elements, unlike the  
21 agreements discussed above. AT&T fully expects that when finally executed, its  
22 interconnection agreement -- which under the Act will be available to all carriers -- will  
23 be the baseline for all agreements between BellSouth and new entrants into the local  
24 market (indeed, in their respective agreements, MCI Metro, Time Warner and Hart  
25 reserve the right to adopt any later, more favorable agreements).

1  
2 Additionally, I believe AT&T's plan for entry into South Carolina is more  
3 comprehensive than the plans of any of the companies with whom BellSouth has entered  
4 into agreements to date. AT&T intends to pursue aggressively resale, unbundled  
5 network elements and interconnection, separately and in combination, to bring services  
6 throughout South Carolina to the greatest number of potential customers as soon as an  
7 agreement is reached. I do not believe any other company plan such a broad entry as  
8 soon as AT&T. To accomplish its plan, AT&T requires a detailed agreement now  
9 covering all issues. An agreement that leaves critical terms open to future negotiation, as  
10 do BellSouth's existing agreements, will ensure that AT&T cannot meet its plan. South  
11 Carolina consumers will be the losers -- they simply will have to wait that much longer  
12 for full competition to reach them.  
13

14 **Q. HOW DID BELL SOUTH'S AGREEMENTS WITH OTHER CARRIERS**  
15 **INFLUENCE AT&T'S NEGOTIATIONS?**

16 A. Although AT&T initially hoped these agreements would contain detailed concessions by  
17 BellSouth that might benefit AT&T in addressing the local exchange market, upon  
18 review there is little of meaningful substance to AT&T because AT&T seeks broad-  
19 based, rather than niche, competition.  
20

21 **Q. WHAT ARE THE KEY ISSUES THAT REMAIN UNRESOLVED?**

22 A. Five major categories of issues remain unresolved. These will be addressed in detail by  
23 AT&T's other witnesses in these proceedings. My purpose here is to introduce these  
24 issues to the Commission. How the Act and the FCC have chosen to address these issues

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COLUMBIA, SOUTH CAROLINA

HEARING #9585

FEBRUARY 4, 1997

2:30 P. M.

DOCKET NO. 96-358-C: PETITION OF AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC., FOR ARBITRATION WITH BELL SOUTH TELECOMMUNICATIONS, INC., PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996.

HEARING BEFORE: CHAIRMAN GUY BUTLER, PRESIDING; VICE CHAIRMAN PHILIP T. BRADLEY; AND COMMISSIONERS RUDOLPH MITCHELL, CECIL A. BOWERS, WARREN D. ARTHUR, IV, WILLIAM "BILL" SAUNDERS, AND C. DUKES SCOTT.

STAFF: GARY E. WALSH, DEPUTY EXECUTIVE DIRECTOR; D. WAYNE BURDETT, MANAGER, AND JAMES M. MCDANIEL, WILLIAM O. RICHARDSON AND DAVID S. LACOSTE, UTILITIES DEPARTMENT; DR. R. GLENN RHYNE, MANAGER, AND DR. JAMES E. SPEARMAN, RESEARCH DEPARTMENT; CATHERINE D. TAYLOR, ESQ., STAFF COUNSEL; AND YVONNE T. GREY, HEARING REPORTER.

APPEARANCES: FRANCIS P. MOOD, ESQ., STEVE A. MATTHEWS, ESQ., AND KENNETH P. MCNEELY, ESQ., REPRESENTING AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC., PETITIONER.

WILLIAM F. AUSTIN, ESQ., HARRY M. LIGHTSEY, III, ESQ., WILLIAM ELLENBERG, ESQ., AND ED RANKIN, ESQ., REPRESENTING BELL SOUTH TELECOMMUNICATIONS, INC., RESPONDENT.

ELLIOTT F. ELAM, JR., ESQ., REPRESENTING THE CONSUMER ADVOCATE FOR THE STATE OF SOUTH CAROLINA, PARTICIPANT.

B. CRAIG COLLINS, ESQ., REPRESENTING THE SOUTH CAROLINA CABLE TELEVISION ASSOCIATION, PARTICIPANT.

PALMER FREEMAN, JR., ESQ., REPRESENTING BELL SOUTH ADVERTISING & PUBLISHING CORPORATION, PARTICIPANT.

TRANSCRIPT OF TESTIMONY AND PROCEEDINGS

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CHAIRMAN BUTLER: THE HEARING WILL  
NOW COME TO ORDER.

WHEREUPON: THE AT&T PANEL OF  
WITNESSES [JOSEPH P. GILLAN, DAVID L.  
KASERMAN, RICHARD GUEPE, ART LERMA, JOHN  
M. HAMMAN, WAYNE ELLISON, DON J. WOOD,  
WILLIAM J. CARROLL, AND DEBORAH J.  
WINEGARD] AND THE BELLSOUTH PANEL OF  
WITNESSES [ALPHONSO J. VARNER, W. KEITH  
MILNER, ROBERT C. SCHEYE, D. DAONNE  
CALDWELL, STEVE G. PARSONS, AND WALTER  
S. REID], HAVING BEEN PREVIOUSLY SWORN,  
RESUME TESTIFYING AS FOLLOWS:

CHAIRMAN BUTLER: MS. TAYLOR.

MS. TAYLOR: THANK YOU, MR.  
CHAIRMAN. I'M NOT SURE WHERE TO PICK  
UP. I'M NOT SURE WHERE WE WERE. SO  
LET'S JUST START FRESH ON SOMETHING MR.  
VARNER MENTIONED BEFORE THE BREAK, AND  
THAT'S ON THE ISSUE OF COSTS UNDER ISSUE  
#23.

EXAMINATION OF PANEL

Q (MS. TAYLOR) I'LL START OUT WITH A QUESTION JUST FOR  
THE BELLSOUTH PANEL. IS IT YOUR OPINION THAT THE

1 WITHOUT A DOUBT, FOR PRIVATE INTERESTS IS IN FACT PROBABLY  
2 THE BEST WAY TO DO IT; BUT YOU'VE MADE DECISIONS THAT YOU  
3 FELT WERE FOR THE GOOD OF THE PUBLIC, FOR THE PUBLIC AS A  
4 WHOLE, AND YOUR ABILITY TO CONTINUE TO DO THAT IS GOING TO  
5 BE SEVERELY DAMAGED IF IN FACT THEY ARE ALLOWED TO BE ABLE  
6 TO GO IN AND CHERRY PICK THIS COMPETITION IN THE WAY THAT  
7 THEY'VE INDICATED THAT THEY WANT TO DO IT.

8 A (MR. CARROLL) MR. COMMISSIONER, BELLSOUTH HAS 1.2  
9 MILLION LINES, THE REST OF THE WORLD HAS ZERO. I HARDLY  
10 BELIEVE THE SKY IS FALLING. WHAT WE'RE ASKING FOR HERE IS  
11 OPEN, ROBUST COMPETITION AND WE BELIEVE THAT WILL BE GOOD  
12 FOR THE CONSUMERS THROUGHOUT THE STATE OF SOUTH CAROLINA,  
13 AND THAT'S OUR BASIC BELIEF. WE THINK THERE ARE MANY  
14 MECHANISMS THAT WILL CONTINUE TO SEARCH FOR WAYS TO SOLVE  
15 THE PROBLEMS. THE UNIVERSAL SERVICE FUND HAS BEEN  
16 MENTIONED AS ONE WAY TO SERVE CERTAIN CONSUMERS DIFFERENT  
17 IN THE FUTURE THAN THEY HAVE IN THE PAST, BUT WE BELIEVE  
18 THAT COMPETITION WILL BE GOOD FOR THE CONSUMERS THROUGHOUT  
19 SOUTH CAROLINA AND LOOK FORWARD TO IT.

20 VICE CHAIRMAN BRADLEY: I'VE GOT A  
21 QUESTION.

22 EXAMINATION BY VICE CHAIRMAN  
23 BRADLEY:

24 Q (VICE CHAIRMAN BRADLEY) I'LL DIRECT THIS TO AT&T AND

1 PERHAPS TO YOU, MR. CARROLL. HAS AT&T DONE ANY COST  
2 ESTIMATES ON IF THEY WERE GOING TO BUILD THEIR OWN  
3 FACILITIES-BASED OPERATION IN SOUTH CAROLINA--SWITCHES,  
4 ACCESS LINES, ET CETERA, WHAT THE COST WOULD BE? I THINK  
5 MS. WINEGARD SAID MILLIONS OF DOLLARS, BUT WHAT ARE WE  
6 SPECIFICALLY TALKING ABOUT?

7 A (MR. CARROLL) NO, WE HAVEN'T IN THAT REGARD. WHEN I  
8 THINK SHE SAID MILLIONS OF DOLLARS, SHE WAS REPRESENTING  
9 TO THE INSTALLED BASE OF ASSETS AND CUSTOMERS THAT ARE  
10 HERE. I THINK WHAT YOU'LL SEE HAPPEN IS THAT THE MARKET  
11 WILL EVOLVE AS JOSEPH GILLAN AND DR. KASERMAN TALKED  
12 ABOUT. I THINK WITH THE KIND OF TOOLS THAT WE'RE TALKING  
13 ABOUT HERE THAT ARE ENVISIONED IN THE ACT, YOU'LL SEE  
14 COMPETITION DEVELOP FIRST AT THE RETAIL LEVEL AND THEN I  
15 THINK YOU'LL SEE COMPETITION DEVELOP AT THE WHOLESALE  
16 LEVEL. WHAT DOES THAT MEAN? INSTEAD OF SEEING A PRICE  
17 FOR AN INDIVIDUAL SWITCH HOOK OF, SAY \$1.29, YOU'LL START  
18 TO SEE A HUNDRED SWITCH HOOKS FOR SALE AT SEVENTY BUCKS;  
19 AND AS THAT HAPPENS, YOU'LL SEE FACILITIES INVESTED IN AND  
20 DEVELOPED. INITIALLY, CERTAINLY SWITCHES WOULD BE PUT IN  
21 IN THAT STAGE AND THEN I THINK THERE'S SOME QUESTION  
22 AROUND THE LOCAL LOOP IN TERMS OF HOW MUCH OF THAT IS A  
23 NATURAL MONOPOLY AND HOW FAR DOWN THE FOOD CHAIN THAT  
24 WOULD BE DEVELOPED. SO THAT'S WHERE WE ARE IN THIS STATE.

1 WE'VE DONE SOME PLANNING, BUT IN THE END I THINK IT'S  
2 GOING TO DEPEND ON WHAT THE CONDITIONS OF ENTRY ARE AND  
3 HOW SUCCESSFUL WE ARE AT THE RETAIL LEVEL BEFORE WE MOVE  
4 INTO THE FACILITIES BASED AND THE WHOLESALE LEVEL.

5 Q (VICE CHAIRMAN BRADLEY) I THINK THAT IT HAS BEEN SAID  
6 HERE IN THE LAST DAY OR SO THAT AT&T WOULD LIKE TO, LET'S  
7 SAY, HAVE 35 PERCENT OF THE MARKET. I THINK MAYBE 30  
8 PERCENT WAS THROWN OUT. IF YOU HAD 30 PERCENT OF THE  
9 MARKET, WOULD YOU HAVE YOUR OWN FACILITIES?

10 A (MR. CARROLL) YES, I BELIEVE SO; BUT 30 PERCENT OF THE  
11 MARKET WAS A NUMBER THAT WAS ATTRIBUTED TO EITHER THE  
12 ATTORNEY IN THE OPENING STATEMENT OR MR. VARNER MAYBE.  
13 THAT WAS A GOAL THAT BOB ALLEN HAD ARTICULATED FOR A  
14 NATIONAL KIND OF ATTAINMENT. IT DOESN'T MEAN THAT WE  
15 WOULD DO THAT IN EVERY MARKET OR BE THAT SUCCESSFUL IN  
16 EVERY MARKET.

17 Q (VICE CHAIRMAN BRADLEY) BUT IF YOU WERE THAT SUCCESSFUL  
18 IN SOUTH CAROLINA, YOU'D HAVE YOUR OWN FACILITIES?

19 A (MR. CARROLL) YES.

20 VICE CHAIRMAN BRADLEY: NO FURTHER  
21 QUESTIONS.

22 Q (MS. TAYLOR) HAVE WE MISSED ANY REPLIES?

23 A (MR. GILLAN) I'D LIKE TO MAKE A VERY, VERY SHORT  
24 REPLY TO MR. VARNER'S CRITICISMS BECAUSE IT ACTUALLY

1 DIDN'T HAVE ANYTHING OR VERY LITTLE TO DO WITH NETWORK  
2 COMBINATIONS. HIS CRITICISM WAS THAT IF YOU LET THEM DO  
3 THIS, THEY WON'T BUILD. WELL, I THINK THE ANSWER THAT MR.  
4 CARROLL GAVE, AT&T WILL BUILD. LET'S FACE IT, THERE'S  
5 NOBODY THAT'S GOING TO COMPETE AGAINST BELLSOUTH THAT  
6 WANTS TO RELY ON THEM ENTIRELY. EVERYBODY HAS AN  
7 INCENTIVE TO BUILD. THE FACTOR THAT WILL DECIDE WHETHER  
8 YOU BUILD AND WHAT YOU BUILD HAS TO DO WITH THE PRICE OF  
9 THE NETWORK ELEMENTS. WHERE BELLSOUTH'S NETWORK IS THE  
10 MOST EFFICIENT AND THE BEST CHOICE, CARRIERS WON'T BUILD  
11 TO REPLICATE IT. THAT'S GOOD FOR CONSUMERS. THAT'S WHAT  
12 THE ACT CALLS FOR AND, QUITE FRANKLY, WALL STREET WOULDN'T  
13 HAVE IT ANY OTHER WAY. THEY'RE NOT GOING TO LEND MONEY TO  
14 PEOPLE TO GO BUILD NETWORKS THAT ARE MORE COSTLY THAN  
15 BELLSOUTH'S. BUT THAT HAS TO DO WITH THE ABILITY OF  
16 FINDING PLACES YOU CAN DO IT BETTER THAN BELLSOUTH AND  
17 BRING THOSE BENEFITS TO CONSUMERS. IT DOES NOT HAVE  
18 ANYTHING TO DO WITH COMBINING ELEMENTS.

19 THEN JUST A SECOND POINT. HE INDICATED  
20 THAT THE VERTICAL FEATURES ARE FREE. USING HIS LOGIC, I  
21 JUST BOUGHT A CAR THAT I'M GLAD TO FIND OUT THAT THE RADIO  
22 WAS FREE, THE TIRES WERE FREE, THE SEATS WERE FREE, THE  
23 ENGINE WAS FREE. UNFORTUNATELY, THE TOTAL PRICE OF THE  
24 CAR SEEMS TO BE VERY HIGH TO ME NOW. IT'S THE SAME THING

1 HERE. NOTHING IS FREE HERE. AT&T PAYS FULLY FOR THOSE  
2 CAPABILITIES BECAUSE THOSE CAPABILITIES ARE BUILT INTO THE  
3 SWITCH AND THEY PAY FOR THEM.

4 THAT WAS MY ONLY COMMENT. THANK YOU.

5 Q (MS. TAYLOR) LET'S MAKE ISSUES 16 AND 19 VERY BRIEF,  
6 IF WE CAN. SIXTEEN CONCERNS BELLSOUTH MAKING RIGHTS-OF-  
7 WAY AVAILABLE TO AT&T ON TERMS AND CONDITIONS EQUAL TO  
8 THAT IT PROVIDES ITSELF. AS WE DID WITH THE LAST  
9 ELEMENTS, 24 THROUGH 29, I WOULD ASK THAT EACH PANEL MAKE  
10 A BRIEF SUMMARY STATEMENT AND WE'LL BEGIN WITH BELLSOUTH.

11 A (MR. SCHEYE) LET ME DEAL WITH ISSUE 16, THAT'S RIGHT-  
12 OF WAYS. IN ESSENCE, OUR PROPOSAL IS FAIRLY STRAIGHT-  
13 FORWARD. WE HAVE RIGHT-OF-WAY AGREEMENTS AND CONTRACTS,  
14 HAVE FOR YEARS, WITH LOTS OF OTHER CARRIERS. WE ARE  
15 APPLYING THE SAME PRINCIPLES PRECISELY TO THOSE CARRIERS.  
16 WE WOULD LIKE AT&T TO DO THAT AS WELL. THEY HAVE ASKED  
17 FOR CERTAIN SPECIFIC THINGS THAT WERE RAISED HERE IN SOUTH  
18 CAROLINA THAT DID NOT COME UP IN OTHER PROCEEDINGS. ONE  
19 OF THOSE HAS TO DO WITH ENVIRONMENTAL INFORMATION BEING  
20 PROVIDED TO THEM. BASICALLY BELLSOUTH IS--IT'S AN  
21 IMPRACTICAL CAPABILITY OF OURS BECAUSE WE DON'T FULLY OWN  
22 ALL OF OUR DUCTS. SOMETIMES THEY'RE OWNED BY OTHER  
23 PARTIES, ET CETERA. SOMETIMES THOSE ENVIRONMENTAL TESTS  
24 ARE PERFORMED WITHOUT OUR KNOWLEDGE, SO WE WOULDN'T EVEN